
**FORM OF
INDEMNIFICATION AGREEMENT**

by and among

**PREMERA,
a Washington nonprofit miscellaneous corporation,**

**[NEW PREMERA CORP.],
a Washington corporation,**

and

**the [FOUNDATION SHAREHOLDER],
a Washington nonprofit corporation.**

Dated as of •

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “Agreement”) is made and entered into this • day of •, by and among PREMERA, a Washington nonprofit miscellaneous corporation (“PREMERA”), [New PREMERA Corp.], a Washington corporation (the “Company”), and the [Foundation Shareholder], a Washington nonprofit corporation (the “Foundation Shareholder”).

RECITALS

WHEREAS, pursuant to the terms of that certain Stock Restrictions Agreement, dated as of •, (the “Stock Agreement”), by and among PREMERA, the Company and the Foundation Shareholder, the Foundation Shareholder has acquired, contemporaneously with the execution of this Agreement, • shares of common stock, no par value per share, of the Company (the “Common Stock”), representing 100% of the issued and outstanding shares of Common Stock of the Company;

WHEREAS, the execution and delivery of the Stock Agreement is one of a series of transactions contemplated by the Plan of Conversion (the “Plan of Conversion”) attached as Exhibit A-4 to the Statement Regarding the Acquisition of Control of or Merger with a Domestic Health which was filed by PREMERA on behalf of the Company with the Insurance Commissioner of the State of Washington, the Attorney General of the State of Washington, the Alaska Division of Insurance and the Oregon Insurance Division on September 17, 2002; and

WHEREAS, in order to induce PREMERA and the Company to enter into the Stock Agreement, the Foundation Shareholder has agreed to enter into this Agreement to provide indemnification to certain entities and individuals against certain claims or liabilities arising as a result of the consummation of the Plan of Conversion, including certain tax liabilities that may arise as a result of the consummation of the Plan of Conversion.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) “Affiliate” of any specified Person means any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such specified Person, where “control” means the possession, directly or indirectly, of the power to direct management and policies of a Person, whether through the ownership of voting securities, contract or otherwise.

(b) “Code” means the Internal Revenue Code of 1986, as amended.

(c) “Company” has the meaning set forth in the Preamble hereof.

(d) “Conversion Claims” means all claims, demands, rights, liabilities, damages, losses, and causes of action, direct or indirect, or derivative, individual or representative, of every nature and description whatsoever, that have been asserted or may in the future be asserted arising out or relating to either the status of PREMERA or any of its Subsidiaries or Affiliates as a nonprofit corporation under Washington law or the ownership, beneficial ownership, or rights to the assets, surplus or equity of PREMERA or any of its Subsidiaries or Affiliates.

(e) “Foundation Shareholder” has the meaning set forth in the Preamble hereof.

(f) “Government Authority” means any federal, state, local, municipal, county or other governmental, quasi-governmental, administrative or regulatory authority, body, agency, court, tribunal, commission or other similar entity (including in each case any branch, department or official thereof).

(g) “Income Tax Indemnified Parties” means the Company, its Subsidiaries, its Affiliates, and all of their respective directors, officers, agents, independent contractors and employees.

(h) “Indemnified Parties” means each and every Income Tax Indemnified Party and Nontax Indemnified Party.

(i) “IRS” means the Internal Revenue Service.

(j) [reserved]

(k) “Nontax Indemnified Parties” means PREMERA, and the Company, their Subsidiaries, their Affiliates, and all of their respective past or present directors, officers, agents, independent contractors and employees.

(l) “Organizational Documents” means the articles of incorporation and bylaws of such Person, if applicable.

(m) “Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, or joint-stock company.

(n) “Plan of Conversion” has the meaning set forth in the Recitals hereof.

(o) “PREMERA” has the meaning set forth in the Preamble hereof.

(p) “Subsidiaries” means, as to any Person, a Person more than 50% of the outstanding voting equity of which is owned, directly or indirectly, by the initial Person or by one or more other Subsidiaries of the initial Person. For the purposes of this definition, “voting equity” means equity that ordinarily has voting power for the election of directors or Persons performing similar functions (such as a general partner of a partnership or the manager of a limited liability company), whether at all times or only so long as no senior class of equity has such voting power by reason of any contingency.

(q) “Tax Indemnification Amount” has the meaning set forth in Section 2 hereof.

(r) “Tax Indemnification Transaction” has the meaning set forth in Section 2 hereof.

(s) “Transactional Claims” means any and all claims, demands, rights, liabilities, damages, losses, and causes of action, direct or indirect, or derivative, individual or representative, of every nature and description whatsoever, arising out of or relating to the consummation of the Plan of Conversion including any breach of a representation, warranty or covenant by the Foundation Shareholder in any of the Transaction Documents.

(t) “Transaction Documents” means the documents and agreements listed in Annex A attached hereto.

Section 2. Income Tax Indemnity.

(a) The Foundation Shareholder shall unconditionally, irrevocably and absolutely indemnify, defend and hold harmless the Income Tax Indemnified Parties from and against the amount of Federal, state and local income tax liabilities (together with any penalties, interest, fines, additions to tax, costs and expenses, including attorneys’ and other professional fees incurred in connection with the defense, settlement or compromise thereof), including those tax liabilities, if any, resulting from the receipt of indemnity payments by the Company pursuant to this Agreement (the “Tax Indemnification Amount”), incurred by any of the Income Tax Indemnified Parties, as a result of any assertion by the IRS or other appropriate state or local authority that (i) the consummation of the Plan of Conversion, in the aggregate, (ii) any of the individual transactions contemplated by the Plan of Conversion, whether individually or together with any other such transaction or transactions or (iii) any transaction mandated by an applicable Governmental Authority as a condition for approving the Plan of Conversion or approved by the Foundation Shareholder constitutes a taxable transaction and/or results in the recognition of gain for Federal income tax purposes under any section of the Code, including under section 337(d) of the Code (each of such transactions is referred to herein as a “Tax Indemnification Transaction”), or for state or local income tax purposes under any comparable provisions of state or local income tax laws. The Tax Indemnification Amount shall be calculated as if the Tax Indemnification Transaction(s) which cause(s) a Tax Indemnification Amount to be incurred by an Income Tax Indemnified Party create(s) the only items of taxable income, gain, loss, deduction and credit of the Income Tax Indemnified Party for the year in issue and is (are) taxable at the highest applicable marginal rate. The Tax Indemnification Amount shall be calculated without regard to and shall not be reduced by or as a result of carryovers from prior years or carrybacks from subsequent years of credits, net operating losses or similar tax benefits.

(b) An Income Tax Indemnified Party shall promptly notify the Foundation Shareholder in writing of any assertion by the IRS or any appropriate state or local

authority of a tax liability for which such Income Tax Indemnified Party may be indemnified under this Agreement (provided that failure to give such notification shall not affect the obligations of the Foundation Shareholder pursuant to this Section 2), and the Foundation Shareholder shall have the opportunity, at the Foundation Shareholder's sole expense, to participate jointly with the Income Tax Indemnified Party in contesting or settling any such asserted tax liability. The Foundation Shareholder shall have thirty (30) days following the receipt of such notice from an Income Tax Indemnified Party to notify the Income Tax Indemnified Party of its election to participate in contesting or settling the tax liability. If the Foundation Shareholder shall elect to participate as provided in the preceding sentence, no decision (procedural or substantive) shall be made unless and until discussions have been held between the Income Tax Indemnified Party and the Foundation Shareholder regarding same; *provided, however*, that the Income Tax Indemnified Party shall have the primary responsibility for determining the manner in which the tax liability shall be contested or settled. Each proposed settlement that the Income Tax Indemnified Party desires to accept and that could result in a payment by the Foundation Shareholder under this Section 2 shall be submitted to the Foundation Shareholder by the Income Tax Indemnified Party for the Foundation Shareholder's prior approval. The Foundation Shareholder shall have ten (10) days following the date of submission of a proposed settlement to approve or disapprove of such settlement. If no approval or disapproval shall have been received by the Income Tax Indemnified Party within such ten-day period, then the Foundation Shareholder shall be deemed to have approved the proposed settlement. The settlement or payment of any claim which would result in a payment by the Foundation Shareholder under this Section 2 without the Foundation Shareholder's prior approval as set forth in this Section 2(b) shall constitute a waiver of the right to indemnity. The Foundation Shareholder shall not unreasonably withhold its approval of any settlement proposal.

(c) If the Foundation Shareholder does not approve a proposed settlement submitted to it by an Income Tax Indemnified Party, the representatives of the Income Tax Indemnified Party and the Foundation Shareholder having first-hand knowledge of the dispute shall endeavor to resolve the dispute through good faith discussions, such discussions to take place in a timely fashion so as not to permit the proposed settlement to expire. If the good faith discussions to take place pursuant to the preceding sentence of this Section 2(c) do not produce an agreement within fifteen (15) days of the date the proposed settlement is disapproved, the matter may be submitted to binding arbitration by written request of either the Income Tax Indemnified Party or the Foundation Shareholder, as provided herein. All arbitrations will be conducted in Seattle, Washington, or at another location mutually approved by the parties, pursuant to the Commercial Arbitration Rules of the American Arbitration Association, except as otherwise provided herein. The arbitrator will be the then current president of the Seattle Chapter of the American Institute of Certified Public Accountants or his/her designee provided, the arbitrator may be affiliated with the auditor or tax advisor of the Foundation Shareholder or the Company. The decision of the arbitrator shall be final and binding on all parties thereto. All arbitrations will be undertaken pursuant to the Federal Arbitration Act, where applicable, and the decision of the arbitrator is enforceable in any court of competent jurisdiction. The arbitrator is directed by this Agreement to conduct the hearing and render a decision within a time period so as not to permit the proposed

settlement under dispute to expire. Each party will pay its own fees and expenses in connection with the arbitration and the nonprevailing party shall pay the fees and expenses of the arbitrator.

Section 3. Nontax Indemnity.

(a) Subject to the limitations in Section 3(b) below, the Foundation Shareholder shall unconditionally, irrevocably and absolutely indemnify, defend and hold harmless the Nontax Indemnified Parties from and against (i) Transactional Claims whenever they accrue, and (ii) Conversion Claims whenever they accrue, except that if any such Nontax Indemnified Party is a director or officer of PREMERA or any of its Subsidiaries or Affiliates, such indemnity will be only to the extent that such person was required to be indemnified pursuant to the Organizational Documents of PREMERA, or any of its Subsidiaries or Affiliates, as applicable. The foregoing indemnity shall include all attorneys' fees and costs incurred in defending or responding to any claim covered by the indemnity.

(b) The obligations of the Foundation Shareholder to provide indemnity to the Nontax Indemnified Parties under Section 3(a) above shall be limited as follows:

(i) The Foundation Shareholder shall have no obligation to indemnify any of the Nontax Indemnified Parties under this Agreement from or on account of any conduct that shall be finally adjudged by a court of competent jurisdiction to have been knowingly fraudulent or deliberately dishonest or willful misconduct; and

(ii) The Foundation Shareholder shall have no obligation under this Agreement to indemnify Nontax Indemnified Parties against claims asserted against them by the Company.

(c) Any Nontax Indemnified Party entitled to indemnification under this Section 3 agrees to give prompt written notice to the Foundation Shareholder after the receipt by such Nontax Indemnified Party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such Nontax Indemnified Party may claim indemnification or contribution pursuant to this Section 3 (provided that failure to give such notification shall not affect the obligations of the Foundation Shareholder pursuant to this Section 3 except to the extent the Foundation Shareholder shall have been actually prejudiced as a result of such failure). In case any such action shall be brought against any Nontax Indemnified Party and it shall notify the Foundation Shareholder of the commencement thereof, the Foundation Shareholder shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such Nontax Indemnified Party (who shall not, except with the consent of the Nontax Indemnified Party, be counsel to the Foundation Shareholder), and after notice from the Foundation Shareholder to such Nontax Indemnified Party of its election to so assume the defense thereof, the Foundation Shareholder shall not be liable to such Nontax Indemnified Party under this Section 3 for any legal expenses of other counsel or any other expenses, in each case subsequently

incurred by such Nontax Indemnified Party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, if (i) the Foundation Shareholder shall not have employed counsel reasonably satisfactory to such Nontax Indemnified Party to take charge of the defense of such action within a reasonable time after notice of commencement of such action (so long as such failure to employ counsel is not the result of an unreasonable determination by such Nontax Indemnified Party that counsel selected pursuant to the immediately preceding sentence is unsatisfactory), (ii) the actual or potential defendants in, or targets of, any such action include both the Foundation Shareholder and such Nontax Indemnified Party and such Nontax Indemnified Party shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Foundation Shareholder which, if the Foundation Shareholder and such Nontax Indemnified Party were to be represented by the same counsel, could result in a conflict of interest for such counsel or materially prejudice the prosecution of the defenses available to such Nontax Indemnified Party, or (iii) the Foundation Shareholder is unable to demonstrate to the reasonable satisfaction of the Nontax Indemnified Party that it has sufficient financial resources to fund the defense, then such Nontax Indemnified Party shall have the right to employ separate counsel reasonably satisfactory to the Foundation Shareholder, in which case the fees and expenses of one counsel or firm of counsel (plus one local or regulatory counsel or firm of counsel) selected by a majority in interest of the Nontax Indemnified Parties shall be borne by the Foundation Shareholder and the fees and expenses of all other counsel retained by the Nontax Indemnified Party shall be paid by the Nontax Indemnified Party. No Nontax Indemnified Party shall consent to entry of any judgment or enter into any settlement without the consent (which consent, in the case of an action, suit, claim or proceeding exclusively seeking monetary relief, shall not be unreasonably withheld) of the Foundation Shareholder.

(d) In determining the amount of the obligations of the Foundation Shareholder to a Nontax Indemnified Party under this Section 3, net amounts paid to or recovered by a Nontax Indemnified Party under third party insurance policies (excluding self-insurance), shall reduce the amount payable by the Foundation Shareholder to such Nontax Indemnified Party under this Section 3 (and the Nontax Indemnified Parties shall use reasonable efforts to file and support claims therefor short of litigation), as shall the actual net tax effect of damages and other amounts paid by a Nontax Indemnified Party seeking indemnity therefor on the tax liability of the Nontax Indemnified Party. Notwithstanding anything to the contrary contained in the Organizational Documents of the Company or any agreement to which the Company is a party, the Foundation Shareholder acknowledges and agrees that, as between the Company and the Foundation Shareholder, the Company shall have no obligation, directly or indirectly, to indemnify any of the Nontax Indemnified Parties against any of the matters for which Nontax Indemnified Parties shall be entitled to seek indemnity from the Foundation Shareholder hereunder, and any amounts which the Company shall be obligated to pay in such regard (either directly or indirectly through its subsidiaries) shall be reimbursed to the Company by the Foundation Shareholder pursuant to the indemnification obligations of the Foundation Shareholder hereunder. The Foundation Shareholder further agrees that it shall not have any right to recover from the Company or any other Nontax Indemnified Party for any amounts paid under this Section 3, and shall not file any claim against the

Company or any other Nontax Indemnified Party seeking to recover any amounts properly paid under this Section 3.

Section 4. Net Worth. For the duration of this Agreement, the Foundation Shareholder shall maintain a net worth (computed in accordance with U.S. generally accepted accounting practices, applied on a consistent basis) of not less than \$• for the six years following the filing of the Company's Federal income tax return for the year in which the Plan of Conversion shall have been consummated. With the prior written consent of the Company, the Foundation Shareholder may secure its obligations hereunder through one or more alternative means that may be proposed by the Foundation Shareholder from time to time. The Company shall not unreasonably withhold its consent to any proposed alternative that leaves the Company in no worse position to enforce the obligations of the Foundation Shareholder hereunder than a minimum net worth covenant.

Section 5. Further Covenants of Foundation Shareholder. Until this Agreement terminates as provided for in Section 6, the Foundation Shareholder shall (i) maintain its status as a tax-exempt organization under section 501(c)(4) of the Code, and (ii) not take any action or refrain from taking any action that would cause it to qualify as a "private foundation" as defined under section 509(a) of the Code.

Section 6. Termination. This Agreement shall automatically terminate on the date that the last to expire of the applicable statutes of limitations relating to the matters for which the Foundation Shareholder has agreed to indemnify the Indemnified Parties under Sections 2 and 3 of this Agreement (including the period during which any applicable statute of limitation may toll or be extended in the event a controversy arises to which an indemnity relates) shall have expired.

Section 7. No Setoff. No payment required to be made pursuant to this Agreement shall be subject to any right of setoff, counterclaim, defense, abatement, suspension, deferment or reduction on an unrelated claim, provided that the Foundation Shareholder may setoff against amounts due hereunder the amount of any undisputed claim against the payee and the amount of any claim against the payee that has been reduced to a final judgment.

Section 8. Limitation of Liability. The aggregate amount of any indemnity claims payable hereunder by the Foundation Shareholder shall not exceed the value of the assets received by the Foundation Shareholder under the Stock Agreement, including any proceeds derived therefrom.

Section 9. Amendments. No amendment, modification, supplement, termination, consent or waiver of any provision of this Agreement, and no consent to any departure herefrom, shall in any event be effective unless the same is in writing and is signed by the party against whom enforcement of the same is sought. Any waiver of any provision of this Agreement and any consent to any departure from the terms of any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which given. No delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, no waiver on the part of any party hereto of any right, power or privilege hereunder shall operate as a waiver of any other right, power, or privilege hereunder, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The waiver or consent (whether express or implied) by any party of the breach of any term or condition of this Agreement shall not prejudice any remedy of any other party in respect of any continuing or other breach of the terms and conditions hereof, and shall not be construed as a bar to any right or remedy which any party would otherwise have on any future occasion under this Agreement.

Section 10. Notices. All notices, consents, requests, demands and other communications hereunder shall be in writing, and shall be deemed to have been duly given or made: (i) when delivered in person, (ii) three (3) days after deposited in the United States mail, first class postage prepaid, (iii) in the case of telegraph or overnight courier services, one (1) business day after delivery to the telegraph company or overnight courier service with payment provided, or (iv) in the case of telex or telecopy or fax, when sent, verification received; in each case addressed as follows:

if to the Company or PREMERA:

[New PREMERA Corp.]
P.O. Box 327
Mail Stop 316
Seattle, Washington 98111
Attention: John P. Domeika,
Senior Vice President and General Counsel
Facsimile: (425) 670-5267

with a copy to:

Preston Gates & Ellis LLP
701 5th Avenue, Suite 5000
Seattle, Washington 98104
Attention: C. Kent Carlson
Facsimile: (206) 623-7022

and

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: William D. Torchiana
Facsimile: (212) 558-3588

if to the Foundation Shareholder:

Attention: _____
Facsimile: _____

with a copy to:

Attention: _____
Facsimile: _____

Section 11. Successors and Assigns. This Agreement (or any right or obligation hereunder) may not be assigned by any party without the prior written consent of the other party, except that the Company may assign its rights and obligations under this Agreement, whether by a writing or operation of law, to a successor to all or substantially all of its business without such consent, in which event this Agreement shall inure to the benefit of, and be binding upon, the successor.

Section 12. Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without regard to Washington's conflict of law or choice of law rules. The parties irrevocably submit to the exclusive jurisdiction of the state and federal courts situated in King County, Washington in any proceeding relating to this Agreement, and agree that any process or summons in any such action may be served by providing to the party a copy thereof in accordance with the notice provisions of this Agreement.

Section 13. Waiver, Remedies. No delay on the part of any party hereto or any Indemnified Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party hereto or any Indemnified Party of any right, power or privilege hereunder operate as a waiver of any other right, power, or privilege hereunder, nor shall any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The waiver or consent (whether express or implied) by any party or any Indemnified Party of the breach of any term or condition of this Agreement shall not prejudice any remedy of any other party or any Indemnified Party in respect of any continuing or other breach of the terms and conditions hereof, and shall not be construed as a bar to any right or remedy which any party would otherwise have on any future occasion under this Agreement.

Section 14. Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof shall have been validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees and costs in addition to any other available remedy.

Section 15. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, shall be held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all remaining provisions contained herein shall not be in any way impaired thereby.

Section 16. Entire Agreement. This Agreement, including any exhibits or attachments referred to herein, together with the other transaction documents set forth in Annex A attached hereto (collectively, the "Transaction Documents"), contain the entire agreement between the parties hereto regarding the subject matter hereof and may not be amended, altered or modified except by a writing signed by the parties hereto. This Agreement supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, with respect to the subject matter hereof, all of which are specifically integrated into this Agreement; provided that this Agreement shall not be interpreted as superseding any of the Transaction Documents. No party hereto shall be bound by or charged with any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, express or implied, not specifically set forth herein or in the Transaction Documents; and the parties hereto further acknowledge and agree that in entering into this Agreement they have not in any way relied and will not rely in any way on any of the foregoing not specifically set forth herein or in the Transaction Documents.

Section 17. Third Party Beneficiary. The Indemnified Parties other than the Company are third party beneficiaries of this Agreement, and have the right to enforce the provisions of this Agreement directly against the Foundation Shareholder.

Section 18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

[NEW PREMERA CORP.]

By: _____
Name:
Title:

PREMERA

By: _____
Name:
Title:

[FOUNDATION SHAREHOLDER]

By: _____
Name:
Title:

Transaction Documents

BCBSA License Agreement Addendum

Charitable Organization Grant Agreement-Alaska

Charitable Organization Grant Agreement-Washington

Excess Share Escrow Agent Agreement

Intellectual Property License Agreement

Intercompany Services and Cost Allocation Agreement

Intercompany Tax Sharing Agreement

LifeWise/New LifeWise Transfer of Assets Agreement

New Premiera Blue Cross/New Premiera Blue Cross of Alaska Management Agreement

Premiera Blue Cross/New Premiera Blue Cross Transfer of Assets Agreement

Premiera Blue Cross/New Premiera of Alaska Transfer of Assets Agreement

Premiera Blue Cross Plan of Reorganization and Plan of Distribution

PREMERA/New PREMERA Transfer of Assets Agreement

PREMERA Plan of Reorganization and Plan of Distribution

Quality Solutions/New Quality Solutions Transfer of Assets Agreement

Registration Rights Agreement

Shareholder Protection Rights Agreement

Stock Restrictions Agreement

Voting Trust and Divestiture Agreement